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SUBJECT: CAMEROON'S LOM PANGAR IS WORLD BANK'S DAM PROBLEM

¶11. (SBU) Summary. The Government of Cameroon (GRC) is pushing breathlessly to construct the Lom Pangar dam by 2012, but the GRC's impatience causes heartburn for the World Bank, which is eager to finance the project but wary that the GRC will not adhere to World Bank guidelines for environmental and social impact. Lom Pangar, a critical piece of Cameroon's development plans, is a retention dam which will regulate the flow of the Sanaga River, thereby increasing power production from existing dams and facilitating the construction of new facilities at Natchtigal and Song Mbengue. Anglo-Australian mining giant Rio Tinto is lobbying for Lom Pangar's quick completion to enable the expansion of its aluminum refinery, but the dam site will affect sensitive ecological zones in Cameroon's East Region and require \$50 million in renovations to the Chad-Cameroon Pipeline, owned by Exxon/Mobil. The GRC remains engaged with the World Bank, but is actively soliciting financing and looser conditionalities from other sources, including French development agency AFD. End Summary.

Lom Pangar: A Big Dam Project

¶12. (U) The proposed retention dam at Lom Pangar in the Sanaga River Basin would generate 30 MW of power and is critically important for downstream power production. By regulating the Sanaga River to maintain a year-round flow, Lom Pangar would increase production of existing dams at Edea and Song Loulou by 130 MW. More importantly, Lom Pangar is a prerequisite for the construction of new facilities along the Sanaga, including power plants at Natchtigal and Song Mbengue that Anglo-Australian mining giant Rio Tinto needs for the planned expansion of its aluminum refinery in Cameroon. Hydromine, an American project developer involved in exploration of bauxite resources in the Adamoua Region (reftel), is exploring the possibility of developing hydropower at Pont Rail and Mbakaou; both projects are predicated on the completion of Lom Pangar.

GRC Balking at World Bank's Safeguards

¶13. (SBU) Lom Pangar has been in the GRC's energy plan since at least 1999, but the project has been repeatedly stalled by government indecision about how to implement the project. Poloffs spoke June 4 with a World Bank official involved in the discussions between the GRC and World Bank, who said the project was "12 months away from completing the safeguards process" in January 2006. At that point, the GRC, having decided the World Bank process was too arduous, focused on identifying alternate, less demanding funding sources while continuing to engage only half-heartedly with the World Bank. As a result, according to the World Bank official, there has been no substantive progress toward complying with World Bank standards since January 2006 and the environmental and social impact studies completed since then are not up to international

standards. As of June 2009, Cameroon is still about 12 months away from completing the documentation and studies needed to meet international standards for environmental and social safeguards. Cameroon's Electricity Development Corporation (EDC) is the lead GRC agency for the Lom Pangar project (and the steward of Cameroon's power sector infrastructure). On June 1, the EDC launched an international tender, with World Bank funding, to identify a consultant to act as project manager for the Lom Pangar project. According to the tender documents (available at <http://www.edc-cameroun.com/>), the consultant will help EDC develop and implement the project plan to build Lom Pangar.

Looking for Another Partner

¶4. (SBU) In a 2008 briefing, officials from Rio Tinto told Poloff that Rio Tinto and the GRC were hoping to secure financing for Lom Pangar from the French Cooperation Agency (French acronym AFD) and the European Investment Bank. In the June 4 meeting with Poloffs, the World Bank official said the GRC might approach the African Development Bank, the Chinese government, or other donors who would be likely to impose looser conditionalities on the project, but that AFD seemed the most likely to engage, especially in the wake of the May visit of French Prime Minister Fillon. The African Development Bank (AfDB) is also said to be considering Lom Pangar as part of its plan to finance infrastructure in Cameroon's electricity sector.

Why the Controversy?

Trees, Apes, and Pipeline

¶5. (SBU) The Lom Pangar project, and in particular the World

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Bank's involvement, has invited controversy and criticism, especially from civil society organizations that argue the project would largely benefit Rio Tinto's aluminum operations while exacting an unknown social and environmental toll. Although the proposed reservoir zone is relatively unpopulated, it abuts sensitive ecological zones, including the Deng Deng reserve that shelters protected species like gorillas. Additionally, the proposed reservoir would flood roughly 1 million cubic meters of wood in the catchment area. The GRC plans to harvest the wood, a task complicated by the expedited timeline and the difficulty of evacuating the timber--roughly one third of Cameroon's annual output--from the remote Deng Deng region. The reservoir will also submerge the Chad-Cameroon pipeline, requiring \$50 million in structural upgrades. There had been some dispute over who would pay for the upgrades, but the consortium that owns the pipeline--led by Exxon-Mobil--has argued that any such changes must be paid for by the GRC.

Project Deadlines

¶6. (SBU) Senior GRC officials, including President Biya, have made public statements affirming that Lom Pangar will be built on an expedited timeline, with the Minister of Energy and Water claiming in multiple public and private meetings that Lom Pangar would be operational by 2012. Embassy contacts knowledgeable about the project say it will take about four years from ground-breaking to ribbon cutting (two years to build the dam; two more years to fill the reservoir), and that timeline does not begin until the financial, engineering and socio-environmental challenges are ironed out, which would take more than a year if done properly. According to this timeline, the earliest the dam could be operational is **¶2014.**

Comment: Lom Pangar: Right
Decision, If Done Right

¶7. (SBU) The GRC has good reason to argue that Lom Pangar is essential for Cameroon's economic development, but it has been shortsighted in its management of the project's very real challenges. As we have seen elsewhere, the GRC's inclination to

rush project planning and disregard international standards has ended up delaying and further complicating the project. At some point, the GRC will be forced to face the fact that its promise to have Lom Pangar online by 2012 is simply impossible. Unless the French Government decides to fund the project through AFD as a political favor to President Biya, the shortage of alternate financing options will likely force the GRC to adopt the World Bank's guidelines.

¶8. (SBU) We will convey our concern to the GRC-and potential alternative donors-about the dangers of seeking to cut corners on such a high-profile and sensitive project, but we will also remain engaged with the World Bank. As the World Bank expert explained, the Bank also faces competing pressures. On the one hand, its senior management is increasingly scrutinizing adherence to its own internal policies, so the Bank will be hard-pressed to give the GRC a pass on its tough criteria. On the other hand, as the World Bank expert explained, "if we walk away from Lom Pangar, we will be cut out of any future role in Cameroon's power sector." We will encourage the World Bank to remain engaged with the GRC, but stand firm on its demands that the project adhere to international standards. End comment.